

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Westphalia	County Clinton
Fiscal Year End 3/31/06	Opinion Date 5/23/06	Date Audit Report Submitted to State 7/21/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☒ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
		Zip 48823	
Authorizing CPA Signature 		Printed Name Aaron M. Stevens	License Number 1101022020

**Township of Westphalia  
Clinton County, Michigan**

**FINANCIAL STATEMENTS**

**March 31, 2006**

Township of Westphalia

Clinton County, Michigan

March 31, 2006

BOARD OF TRUSTEES

Alden Thelen

Supervisor

Jane Bierstetel

Clerk

Marvin Smith

Treasurer

Daniel Thelen

Trustee

Daniel Pung

Trustee

Township of Westphalia

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Principals

Dale J. Abraham, CPA  
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Aaron M. Stevens, CPA  
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**ABRAHAM & GAFFNEY, P.C.**

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board  
Township of Westphalia  
Westphalia, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Westphalia, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Westphalia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Township of Westphalia, Michigan as of March 31, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

May 23, 2006

## **BASIC FINANCIAL STATEMENTS**

Township of Westphalia  
STATEMENT OF NET ASSETS  
March 31, 2006

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 301,757
Investments	380,869
Receivables	25,534
Due from other governmental units	<u>3,055</u>
Total current assets	711,215
Noncurrent assets	
Capital assets, net	<u>249,925</u>
TOTAL ASSETS	961,140
LIABILITIES	
Current liabilities	
Accounts payable	<u>2,630</u>
NET ASSETS	
Invested in capital assets	249,925
Unrestricted	<u>708,585</u>
TOTAL NET ASSETS	<u><u>\$ 958,510</u></u>

See accompanying notes to financial statements.

Township of Westphalia

STATEMENT OF ACTIVITIES

Year Ended March 31, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 89,954	\$ 14,028	\$ -	\$ 4,800	\$ (71,126)
Public safety	78,727	13,200	-	-	(65,527)
Public works	45,146	-	3,651	-	(41,495)
Health and welfare	18,706	17,375	-	-	(1,331)
Total governmental activities	<u>\$ 232,533</u>	<u>\$ 44,603</u>	<u>\$ 3,651</u>	<u>\$ 4,800</u>	(179,479)
General revenues:					
Property taxes					156,573
State shared revenues					93,270
Investment earnings					11,565
Miscellaneous					2,855
Total general revenues					<u>264,263</u>
Change in net assets					84,784
Net assets, beginning of the year					<u>873,726</u>
Net assets, end of the year					<u>\$ 958,510</u>

See accompanying notes to financial statements.



Township of Westphalia

GOVERNMENTAL FUNDS BALANCE SHEET

March 31, 2006

	General	Special Revenue Fire	Total Governmental Funds
ASSETS			
Cash	\$ 180,103	\$ 121,654	\$ 301,757
Investments	214,757	166,112	380,869
Accounts receivable	14,334	11,200	25,534
Due from other funds	3,459	-	3,459
Due from other governmental units			
Local	1,222	1,833	3,055
TOTAL ASSETS	<u>\$ 413,875</u>	<u>\$ 300,799</u>	<u>\$ 714,674</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 2,320	\$ 310	\$ 2,630
Due to other funds	-	3,459	3,459
TOTAL LIABILITIES	2,320	3,769	6,089
FUND BALANCES			
Unreserved			
Undesignated, reported in			
General Fund	411,555	-	411,555
Special Revenue Fund	-	297,030	297,030
TOTAL FUND BALANCES	<u>411,555</u>	<u>297,030</u>	<u>708,585</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 413,875</u>	<u>\$ 300,799</u>	<u>\$ 714,674</u>

See accompanying notes to financial statements.

Township of Westphalia

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

March 31, 2006

**Total fund balance - governmental funds** \$ 708,585

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 484,112	
Accumulated depreciation is	<u>(234,187)</u>	
Capital assets, net		<u>249,925</u>
<b>Net assets of governmental activities</b>		<u><u>\$ 958,510</u></u>

See accompanying notes to financial statements.

Township of Westphalia

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Year Ended March 31, 2006

	General	Special Revenue Fire	Total Governmental Funds
REVENUES			
Taxes	\$ 79,571	\$ 88,601	\$ 168,172
Intergovernmental	96,921	-	96,921
Charges for services	18,554	13,200	31,754
Interest and rents	8,746	4,069	12,815
Other	2,211	644	2,855
TOTAL REVENUES	206,003	106,514	312,517
EXPENDITURES			
Current			
General government	84,697	-	84,697
Public safety	-	54,667	54,667
Public works	45,146	-	45,146
Health and welfare	18,706	-	18,706
TOTAL EXPENDITURES	148,549	54,667	203,216
EXCESS OF REVENUES OVER EXPENDITURES	57,454	51,847	109,301
Fund balances, beginning of year	354,101	245,183	599,284
Fund balances, end of year	\$ 411,555	\$ 297,030	\$ 708,585

See accompanying notes to financial statements.

Township of Westphalia

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2006

**Net change in fund balances - total governmental funds** \$ 109,301

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 4,800	
Depreciation expense	<u>(29,317)</u>	
Excess of depreciation expense over capital outlay		<u>(24,517)</u>

**Change in net assets of governmental activities** \$ 84,784

See accompanying notes to financial statements.

Township of Westphalia

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Westphalia Township, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Clinton County. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and two trustees, and provides services to its residents in many areas including fire protection, roads, and planning.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present all financial activities of the Township of Westphalia (primary government). The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the Township of Westphalia contain all of the funds controlled by the Township Board.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government as a whole. For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Township does not have any activities that would be considered to be business-type activities.

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and are made up of charges to recipients of goods or services. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Both of the Township's funds were considered major for the fiscal year ended March 31, 2006.

The major funds of the Township are:

- a. The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Fire Fund is used to account for the operations of the fire department.

Township of Westphalia  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**3. Measurement Focus**

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**4. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental and similar trust funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

**5. Budgets and Budgetary Accounting**

The General and Special Revenue Fund budgets shown in the required supplementary information to the financial statements were prepared on a basis not substantially different than the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to April 1, the budget is legally adopted on a departmental (activity) level through passage of a Board resolution. After the budget is adopted, any transfers of budgeted amounts between activities or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year. The amendments to the originally adopted budgets were not material.

**6. Cash and Investments**

Cash consists of saving and checking accounts. Investments consist of certificates of deposit with original maturities of greater than 90 days.

Township of Westphalia  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**7. Property Tax**

The Township of Westphalia bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph:

Property taxes are levied twice per year. A summer tax is levied on July 1 and a winter tax is levied on December 1. The tax levies are payable through September 30 and February 28, respectively. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Clinton County Treasurer on March 1 of the year following the levy. The Clinton County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental services and additional amounts for fire operations. For the year ended March 31, 2006 the Township levied 1.0000 and 1.5000 mills per \$1,000 of assessed valuation for general governmental services and fire operations respectively. The total taxable value for the 2005 levy for property within the Township was \$60,686,434.

**8. Capital Assets**

Capital assets include buildings and improvements, furniture and equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities. Capital assets are those with an initial individual cost of \$1,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Furniture and equipment	5 - 10 years
Buildings and improvements	40 - 50 years
Vehicles	15 years

**9. Comparative Data**

Comparative data for the prior year has not been presented in each of the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

**NOTE B: CASH AND INVESTMENTS**

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.

Township of Westphalia

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

**NOTE B: CASH AND INVESTMENTS - CONTINUED**

2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

The Township's cash and investments at March 31, 2006, are composed of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash		
Checking accounts	\$ 301,399	\$ 305,971
Savings accounts	358	358
Certificates of deposit	<u>380,869</u>	<u>378,163</u>
	<u>\$ 682,626</u>	<u>\$ 684,492</u>

Deposits of the Township are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Township. As of March 31, 2006, the Township accounts were insured by the FDIC for \$434,677, and the amount of \$249,815 was uninsured.

Due to significantly higher cash flows at certain periods during the year, the amount the Township held as cash increased significantly. As a result, the amount of uninsured and uncollateralized cash was substantially higher at these peak periods than at year end.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of March 31, 2006, the Township did not have any investments that would be subject to rating.



Township of Westphalia  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

**NOTE B: CASH AND INVESTMENTS - CONTINUED**

Interest rate risk

The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio with the objective of obtaining a rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio.

Concentration of credit risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by designing its portfolio so that the investments will be diversified by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

The cash and investments referred to above have been reported in either the cash or investments captions on the statement of net assets and the balance sheet based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of March 31, 2006:

	<u>Primary Government</u>
Cash	\$ 301,757
Investments	<u>380,869</u>
	<u>\$ 682,626</u>

**NOTE C: INTERFUND RECEIVABLES AND PAYABLES**

The following schedule details interfund receivables and payables at March 31, 2006:

Due to General Fund from:	
Fire Fund	<u>\$ 3,459</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

**NOTE D: CAPITAL ASSETS**

Capital asset activity for the year ended March 31, 2006, was as follows:

	<u>Balance April 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2006</u>
Governmental Activities				
Buildings and improvements	\$ 84,762	\$ -	\$ -	\$ 84,762
Vehicles	285,800	-	-	285,800
Furniture and equipment	<u>112,750</u>	<u>4,800</u>	<u>( 4,000 )</u>	<u>113,550</u>
Subtotal	483,312	4,800	( 4,000 )	484,112

Township of Westphalia  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

**NOTE D: CAPITAL ASSETS - CONTINUED**

	Balance April 1, 2005	Additions	Deletions	Balance March 31, 2006
Governmental Activities - continued				
Less accumulated depreciation				
Buildings and improvements	\$( 48,782 )	\$( 1,760 )	\$ -	\$( 50,542 )
Vehicles	( 117,780 )	( 13,820 )	-	( 131,600 )
Furniture and equipment	<u>( 42,308 )</u>	<u>( 11,304 )</u>	<u>1,567</u>	<u>( 52,045 )</u>
Subtotal	<u>( 208,870 )</u>	<u>( 26,884 )</u>	<u>1,567</u>	<u>( 234,187 )</u>
Capital assets, net	<u>\$ 274,442</u>	<u>\$( 22,084 )</u>	<u>\$( 2,433 )</u>	<u>\$ 249,925</u>

The current year depreciation expense of \$26,884 has been adjusted by \$2,433 for the disposal of capital assets during the year, in accordance with GASB Statement No. 34 implementation guide which states that immaterial losses may be handled as an adjustment to the current period's depreciation expense.

Depreciation expense was charged to the following governmental activities:

General government	\$ 2,824
Public safety	<u>24,060</u>
Total	<u>\$ 26,884</u>

**NOTE E: RETIREMENT PLAN**

The Township of Westphalia is the sponsor of a retirement plan for the sole benefit of its employees. The Township of Westphalia Pension Plan is a money purchase defined contribution pension benefit plan. Contributions are based on an employee's annual calendar year compensation. During the year ended March 31, 2006, the Township of Westphalia made contributions for all participating employees of 6.68% per employee, with the participating employees required to contribute 7% each.

All Township employees are eligible to participate in the plan. All eligible employees, except Board of Review members, participate in the plan. The contributions fund the premiums for Individual Deferred Annuity policies with the Travelers Insurance Company through Municipal Retirement Systems, Inc.

For the year ended March 31, 2006, the Township of Westphalia had a total payroll of \$74,552. The Township of Westphalia Retirement Plan covered payroll for the period ended March 31, 2006 of \$73,680. The Township of Westphalia made contributions for the 2005 plan year to the retirement plan in the amount of \$4,922.

**NOTE F: RISK MANAGEMENT**

The Township is exposed to various risks of loss including accidental death, dismemberment, disability; medical expense benefit; errors and omissions; blanket accident; firefighter accident; and workers' compensation for which the Township carries commercial insurance.

The Township also participates in a pool, the Michigan Township Participating Plan, with other municipalities for property, liability, wrongful acts, auto, crime, in-land marine, and bonding losses. The pool is organized under Public Act 138 of 1982, as amended. The Township has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

## **REQUIRED SUPPLEMENTARY INFORMATION**

Township of Westphalia

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Current tax levy	\$ 63,000	\$ 63,000	\$ 67,684	\$ 4,684
Trailer tax	-	-	288	288
Administration fees	12,500	12,500	11,599	(901)
Total taxes	75,500	75,500	79,571	4,071
Intergovernmental				
State				
Sales and use tax	90,000	90,000	93,270	3,270
Metro Act	-	-	3,651	3,651
Total intergovernmental	90,000	90,000	96,921	6,921
Charges for services				
Ambulance runs	10,000	10,000	17,375	7,375
Other	-	-	1,179	1,179
Total charges for services	10,000	10,000	18,554	8,554
Interest and rents				
Interest	3,000	3,000	7,496	4,496
Rents	1,500	1,500	1,250	(250)
Total interest and rents	4,500	4,500	8,746	4,246
Other				
Refunds and reimbursements	3,000	3,000	1,712	(1,288)
Other	600	600	499	(101)
Total other	3,600	3,600	2,211	(1,389)
TOTAL REVENUES	183,600	183,600	206,003	22,403

Township of Westphalia

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended March 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
General government				
Township Board	\$ 3,500	\$ 3,500	\$ 2,400	\$ 1,100
Supervisor	14,000	14,000	12,000	2,000
Clerk	16,000	16,000	14,300	1,700
Board of review	800	800	351	449
Treasurer	16,000	16,000	14,540	1,460
Assessor	15,000	15,000	13,534	1,466
Elections	3,000	3,000	1,339	1,661
Buildings and grounds	2,500	3,200	1,375	1,825
Other	25,000	25,000	24,858	142
Total general government	95,800	96,500	84,697	11,803
Public works				
Drains at large	7,000	7,000	1,771	5,229
Highways and streets	75,000	65,300	43,375	21,925
Total public works	82,000	72,300	45,146	27,154
Health and welfare				
Ambulance	10,000	19,000	18,706	294
TOTAL EXPENDITURES	187,800	187,800	148,549	39,251
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,200)	(4,200)	57,454	61,654
Fund balances, beginning of year	354,101	354,101	354,101	-0-
Fund balances, end of year	<u>\$ 349,901</u>	<u>\$ 349,901</u>	<u>\$ 411,555</u>	<u>\$ 61,654</u>

Township of Westphalia

Fire Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 90,000	\$ 90,000	\$ 88,601	\$ (1,399)
Charges for services	5,000	5,000	13,200	8,200
Interest	1,500	1,500	4,069	2,569
Other	1,500	1,500	644	(856)
TOTAL REVENUES	98,000	98,000	106,514	8,514
EXPENDITURES				
Public safety	98,000	98,000	54,667	43,333
EXCESS OF REVENUES OVER EXPENDITURES	-0-	-0-	51,847	51,847
Fund balance, beginning of year	245,183	245,183	245,183	-0-
Fund balance, end of year	<u>\$ 245,183</u>	<u>\$ 245,183</u>	<u>\$ 297,030</u>	<u>\$ 51,847</u>

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA



**ABRAHAM & GAFFNEY, P.C.**

Certified Public Accountants

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MANAGEMENT LETTER

To the Members of the Township Board  
Township of Westphalia  
Westphalia, Michigan

Dear Ladies/Gentlemen:

As you know, we have recently completed our audit of the records of the Township of Westphalia, Michigan for the year ended March 31, 2006. In connection with the audit, we feel that certain changes in your accounting procedures would be helpful in improving management's control and the operational efficiency of the accounting functions. This suggestion is a result of our evaluation of the internal control structure and our discussions with management.

Investments should be held at banks with branches in the State of Michigan.

During the course of our audit, we noted the Township held investments at banks that do not have branches in the State of Michigan.

In accordance with Michigan Compiled Law, the Township is authorized to invest in certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.

We suggest the Township sell the investments when the investments mature.

This condition was considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements, and this report does not affect our report on the financial statements, dated May 23, 2006.

This report is intended solely for the use of management and the Township Board of the Township of Westphalia, Michigan and should not be used for any other purpose.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you, and to provide assistance in the implementation of improvements.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

May 23, 2006